



MASSACHUSETTS

John J. Curley, Jr., J.D., Senior Vice President  
Chief Government and Public Affairs Officer

March 11, 2010

David Morales, Commissioner  
Massachusetts Division of Health Care Finance and Policy  
Two Boylston Street, 5<sup>th</sup> Floor  
Boston, MA 02216

**RE:** Responses to Supplemental Questions

Dear Commissioner Morales:

On behalf of Blue Cross and Blue Shield of Massachusetts (BCBSMA), we are pleased to provide the following information to the Division of Health Care Finance and Policy (the Division), in response to the Attorney General's supplemental questions posed in an email from Thomas O'Brien, Esq., dated March 8, 2010.

Following are detailed responses to the Attorney General's questions.

I affirm that the facts contained in the following response are true to the best of my knowledge. This document is signed under the penalties of perjury. I have relied on others in the company for information on matters not within my personal knowledge and believe that facts stated with respect to such matters are true.

Sincerely,



John J. Curley, Jr.

1. Please supplement your response to AGO Q1 by filing your relative differences in hospital and large-physician group prices (%s) un-blinded (i.e., identifying individual hospitals and physician groups) for each year 2004 through 2008.

**BCBSMA RESPONSE:**

The hospital charts below are a compilation of blended services and products. These rates are time specific and will change. This retrospective look does not include the AQC as it was just introduced in 2009.

Due to the availability of data for FY2004 additional time would be required to accurately compile the FY2004 analysis, in order to be responsive BCBSMA has compiled FY2005-FY2008.

**FY2008**

Hospital Name	IP/OP Blended Index
Anna Jacques	1.09
Athol Memorial	1.00
Baystate Medical Center	1.64
Beth Israel Deac	1.66
BI-Deac Needham(Glover)	1.16
Boston Medical Center- BCH	1.20
Brigham and Womens	1.99
Brockton	1.24
Cambridge	1.05
Caritas Carney	1.31
Caritas Good Samaritan	1.41
Caritas Holy Family	1.21
Caritas Norwood	1.28
Caritas St Anne's	1.39
Caritas St Elizabeth's	1.53
Clinton Hospital	1.36
Cooley Dickinson	1.80
Emerson Hospital	1.32
Faulkner Hospital	1.52
Franklin Medical Center	1.51
Hallmark (Law Mem/Mel-Wak)	1.29
Harrington	1.65
Healthalliance (Burb/Leom)	1.14
Henry Heywood Hospital	1.09
Holyoke	1.11
Hubbard Health Systems	1.04
Jordan Hospital	1.33
Lahey Clinic Medical Center	1.52
Lawrence General	1.18
Lowell	1.15
Marlborough Hospital	1.26
Mary Lane Hospital	1.41
Mass General	1.99
MEEI	1.30
Mercy Hospital	1.12
Merrimack Valley M C (Hale)	1.24
Metrowest	1.21

**FY2008, continued**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
Milford-Whitinsville Regional	1.37
Milton	1.08
Morton	1.28
Mount Auburn	1.37
Nashoba Valley	1.27
NE Baptist Hospital	1.49
NEMC	1.37
Newton-Wellesley	1.51
Noble	1.17
North Adams	1.32
North Shore(Salem/Union)	1.52
NorthEast	1.41
Quincy	1.11
Saints	1.12
South Shore	1.56
Southcoast Charlton Memorial	1.39
Southcoast St. Luke's	1.39
Southcoast Tobey	1.39
St. Vincent's	1.18
Umass	1.65
Winchester	1.38
Wing Memorial Hospital	1.35

**Analytic Notes:**

- Payments made as a default percent of charge have not been included for determination of Hospitals Blended Rates
- Payments and Rates for certain pharmacy claims were also not included in the determination of hospital Rates
- Inpatient/Outpatient weighting was determined by network distribution of ALL inpatient and ALL outpatient payments
- The highest and lowest blended ranges previously submitted represent the blend of the highest or lowest inpatient and outpatient rate across all hospitals and are not necessarily a specific facility

**Specific Hospital Notes:**

- The below list of facilities have not been included in the analysis due to an arrangement on inpatient and/or outpatient payment that reimburses the hospital as a discount from charges:
  - Berkshire Medical Center
  - Cape Cod Hospital
  - Children's Hospital
  - Dana Farber Cancer Institute
  - Fairview Hospital
  - Falmouth Hospital
  - Martha's Vineyard Hospital
  - Nantucket Cottage Hospital
  - Sturdy Memorial Hospital

**Hospitals not included in prior submission:**

South Shore, MGH, B&W, blend weighted only for PPO and HMO (due to a discount from charge arrangement on inpatient and/or outpatient Indemnity services).

**FY2007**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
Anna Jacques	1.07
Athol Memorial	1.00
Baystate Medical Center	1.56
Beth Israel Deac	1.62
BI-Deac Needham(Glover)	1.11
Boston Medical Center- BCH	1.14
Brigham and Womens	1.93
Brockton	1.22
Cambridge	1.09
Caritas Carney	1.29
Caritas Good Samaritan	1.35
Caritas Holy Family	1.14
Caritas Norwood	1.22
Caritas St Anne's	1.31
Caritas St Elizabeth's	1.40
Clinton Hospital	1.28
Cooley Dickinson	1.77
Emerson Hospital	1.28
Faulkner Hospital	1.52
Franklin Medical Center	1.39
Hallmark (Law Mem/Mel-Wak)	1.27
Harrington	1.65
Healthalliance (Burb/Leom)	1.08
Henry Heywood Hospital	1.07
Holyoke	1.10
Hubbard Health Systems	1.05
Jordan Hospital	1.28
Lahey Clinic Medical Center	1.45
Lawrence General	1.20
Lowell	1.15
Marlborough Hospital	1.21
Mary Lane Hospital	1.36
Mass General	1.95
MEEI	1.28
Mercy Hospital	1.11
Merrimack Valley M C (Hale)	1.16
Metrowest	1.16
Milford-Whitinsville Regional	1.32
Milton	1.07
Morton	1.12
Mount Auburn	1.33
Nashoba Valley	1.17

**FY2007, continued**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
NE Baptist Hospital	1.47
NEMC	1.30
Newton-Wellesley	1.45
Noble	1.10
North Adams	1.29
North Shore(Salem/Union)	1.51
NorthEast	1.41
Quincy	1.09
Saints	1.13
South Shore	1.51
Southcoast Charlton Memorial	1.32
Southcoast St. Luke's	1.32
Southcoast Tobey	1.32
St. Vincent's	1.13
Umass	1.57
Winchester	1.30
Wing Memorial Hospital	1.32

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  - Fairview Hospital
  - Falmouth Hospital
  - Martha's Vineyard Hospital
  - Nantucket Cottage Hospital
  - Sturdy Memorial Hospital

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**FY2006**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
Anna Jacques	1.08
Athol Memorial	1.00
Baystate Medical Center	1.53
Beth Israel Deac	1.53
BI-Deac Needham(Glover) Hospital	1.11
Boston Medical Center- BCH	1.05
Brigham and Womens	1.65
Brockton	1.16
Cambridge	1.01
Caritas Carney	1.19
Caritas Good Samaritan	1.23
Caritas Holy Family	1.11
Caritas Norwood	1.14
Caritas St Anne's	1.24
Caritas St Elizabeth's	1.27
Clinton Hospital	1.26
Cooley Dickinson	1.68
Emerson Hospital	1.14
Faulkner Hospital	1.35
Franklin Medical Center	1.34
Hallmark (Lawr Mem/Melr Wake)	1.12
Harrington	1.56
Healthalliance (Burbank/Leominster)	1.13
Henry Heywood Hospital	1.10
Holyoke	1.02
Hubbard Health Systems	1.05
Jordan Hospital	1.19
Lahey Clinic Medical Center	1.38
Lawrence General	1.03
Lowell	1.10
Marlborough Hospital	1.02
Mary Lane Hospital	1.35
Massachusetts General	1.65
MEEI	1.22
Mercy	1.12
Merrimack Valley Med Ctr (Hale)	1.13
Metrowest	1.13
Milford-Whitinsville Regional Hospital	1.24
Milton	1.07
Morton	1.09
Mount Auburn	1.22
Nashoba Valley	1.11

**FY2006, continued**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
NE Baptist Hospital	1.35
NEMC	1.21
Newton-Wellesley	1.39
Noble	1.07
North Adams	1.23
North Shore(Salem/Union)	1.41
Northeast (Addison Gilbert)	1.32
Northeast (Beverly)	1.32
Quincy	1.06
Saints	1.13
South Shore	1.44
Southcoast Charlton Memorial	1.17
Southcoast St. Luke's	1.17
Southcoast Tobey	1.17
St. Vincent's	1.10
UMass/Memorial M.C.	1.47
Winchester	1.31
Wing Memorial Hospital	1.31

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- Children's Hospital
- Dana Farber Cancer Institute
- Fairview Hospital
- Falmouth Hospital
- Martha's Vineyard Hospital
- Nantucket Cottage Hospital
- Sturdy Memorial Hospital

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**FY2005**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
Anna Jacques	1.13
Athol Memorial	1.00
Baystate Medical Center	1.60
Beth Israel Deaconess (includes NE Deaconess)	1.55
BI-Deac Needham(Glover) Hospital	1.21
Boston Medical Center- BCH	1.16
Brigham and Womens	1.58
Brockton	1.21
Cambridge	1.11
Caritas Carney	1.24
Caritas Good Samaritan	1.32
Caritas Holy Family	1.16
Caritas Norwood	1.20
Caritas St Anne's	1.34
Caritas St Elizabeth's	1.37
Clinton Hospital	1.25
Cooley Dickinson	1.78
Emerson Hospital	1.26
Faulkner Hospital	1.33
Franklin Medical Center	1.41
Hallmark (Lawrence Mem/Melr-Wakefld)	1.16
Harrington	1.63
Healthalliance (Burbank/Leominster)	1.17
Henry Heywood Hospital	1.20
Holyoke	1.11
Hubbard Health Systems	1.16
Jordan Hospital	1.28
Lahey Clinic Medical Center	1.44
Lawrence General	1.11
Lowell	1.07
Marlborough Hospital	1.12
Mary Lane Hospital	1.43
Massachusetts General Hospital	1.58
MEEI	1.27
Mercy	1.18
Merrimack Valley M C (Hale)	1.21
Metrowest	1.23
Milford-Whitinsville Regional Hospital	1.31
Milton	1.14
Morton	1.20
Mount Auburn Hospital	1.33



**FY2005, continued**

<b>Hospital Name</b>	<b>IP/OP Blended Index</b>
Nashoba Valley	1.24
NEMC	1.34
New England Baptist Hospital	1.50
Newton-Wellesley Hospital	1.40
Noble	1.12
North Adams	1.30
North Shore (Salem/Union)	1.43
Northeast (Addison Gilbert)	1.35
Northeast (Beverly)	1.35
Quincy	1.10
Saints	1.16
South Shore	1.47
Southcoast Charlton Memorial	1.27
Southcoast St. Luke's	1.27
Southcoast Tobey	1.27
St. Vincent's	1.21
UMass/Memorial Medical Center	1.45
Winchester	1.41
Wing Memorial Hospital	1.31

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- Cape Cod Hospital
- Children's Hospital
- Dana Farber Cancer Institute
- Fairview Hospital
- Falmouth Hospital
- Martha's Vineyard Hospital
- Nantucket Cottage Hospital
- Sturdy Memorial Hospital

**Hospitals not included in prior submission:**

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## 2008 Physician Effective Reimbursement (2008 base data; All Commercial Business, all products)

The physician chart below is a compilation of blended services and products. These rates are time specific and will change. This retrospective look does not include the AQC as it was just introduced in 2009.

Historic data was not readily available for similar analysis within the time frame provided, BCBSMA is providing the below 2008 numbers to ensure information is submitted in an accurate and timely manner.

Group	Pmt Model	Index
Acton Medical Associates	Fee For Service	1.06
Atrius Health	Global Payment	1.89
Baycare Health Partners	Fee For Service	1.02
Berkshire Medical Center	Fee For Service	1.01
Beth Israel Deaconess PO	Fee For Service	1.26
Brockton Hospital PHO	Fee For Service	1.01
Caritas Christi Health Care System	Fee For Service	1.02
Central Mass IPA	Risk Arrangement	1.01
Children's Hospital PO	Fee For Service	3.24
Connecticut River Internists	Fee For Service	1.09
Cooley Dickinson PHO	Fee For Service	1.03
Fallon Clinic	Global Payment	1.20
Health Alliance with Physicians, Inc.	Global Payment	1.23
Lahey Clinic	Fee For Service	1.10
Lawrence General IPA	Fee For Service	1.06
Lowell General Hospital PHO	Fee For Service	1.05
MetroWest Healthcare Alliance, Inc.	Fee For Service	1.02
Mount Auburn Cambridge IPA	Global Payment	1.35
Nashoba IPA	Fee For Service	1.10
New England Baptist PHO	Fee For Service	1.08
New England Quality Care Alliance	Fee For Service	1.09
North East PHO	Fee For Service	1.28
Partners - Affiliated	Fee For Service	1.20
Partners - AMC	Fee For Service	1.50
Partners - Integrated	Fee For Service	1.52
Pediatric Physicians Organization at Children's	Fee For Service	1.29
Physicians of Cape Cod	Fee For Service	1.07
PrimaryCare LLC	Risk Arrangement	1.33
Riverbend	Fee For Service	1.13
South Shore PHO	Risk Arrangement	1.05
Southcoast	Fee For Service	1.00
Sturdy Memorial Hospital	Fee For Service	1.02
UMass Memorial Health Care	Fee For Service	1.25
Valley Health Partners	Fee For Service	1.02
Valley Medical Group	Fee For Service	1.21
Whittier IPA	Fee For Service	1.06
Williamstown Medical Associates	Fee For Service	1.30
Winchester/Highland IPA	Fee For Service	1.03

### Remaining Network

**1.00**

#### Notes:

- Index includes all claims payments, incentive payments, risk settlements, and any other payments made to provider organization
- For the purposes of this submission Risk Arrangement shall mean any physician organization that is contracted through a budget based model with the opportunity for a partial deficit.

2. Please supplement your response to AGO Q3 by filing your TME un-blinded for each year 2004 to 2008. Please identify the groups BCBS paid through a risk-sharing agreement (i.e., all physician groups that received settlement reports during the given years).

**BCBSMA RESPONSE:**

The physician chart below is a compilation of blended services and products. These rates are time specific and will change. This retrospective look does not include the AQC as it was just introduced in 2009.

Historic data was not readily available for similar analysis within the time frame provided, BCBSMA is providing the below 2008 numbers to ensure information is submitted in an accurate and timely manner.

**Physician Data: 2008 Physician Efficiency  
All Commercial HMO Business (2008 estimate)**

Group	Payment Model	Network Efficiency Index*
Acton Medical Associates	Fee For Service	0.93
Atrius Health	Global Payment	1.08
Baycare Health Partners	Fee For Service	0.93
Berkshire Medical Center	Fee For Service	1.07
Beth Israel Deaconess PO	Fee For Service	0.99
Brockton Hospital PHO	Fee For Service	0.96
Caritas Christi Health Care System	Fee For Service	0.95
Central Mass IPA	Risk Arrangement	0.95
Children's Hospital PO	Fee For Service	1.33
Connecticut River Internists	Fee For Service	1.06
Cooley Dickinson PHO	Fee For Service	0.96
Fallon Clinic	Global Payment	0.95
Health Alliance with Physicians, Inc.	Global Payment	0.91
Lahey Clinic	Fee For Service	0.96
Lawrence General IPA	Fee For Service	0.89
Lowell General Hospital PHO	Fee For Service	0.82
MetroWest Healthcare Alliance, Inc.	Fee For Service	0.88
Mount Auburn Cambridge IPA	Global Payment	0.97
Nashoba IPA	Fee For Service	0.90
New England Baptist PHO	Fee For Service	1.00
New England Quality Care Alliance	Fee For Service	0.94
North East PHO	Fee For Service	1.05
Partners. - Affiliated	Fee for Service	1.08
Partners - AMC	Fee for Service	1.16
Partners - Integrated	Fee for Service	0.95
Pediatric Physicians Organization at Children's	Fee For Service	1.10
Physicians of Cape Cod	Fee For Service	1.05
PrimaryCare LLC	Risk Arrangement	0.99
Remaining Network	Fee For Service	0.91
Riverbend	Fee For Service	0.80
South Shore PHO	Risk Arrangement	1.02
Southcoast	Fee For Service	0.81
Sturdy Memorial Hospital	Fee For Service	1.07

Group	Payment Model	Network Efficiency Index*
UMass Memorial Health Care	Fee For Service	0.95
Valley Health Partners	Fee For Service	0.83
Valley Medical Group	Fee For Service	0.91
Whittier IPA	Fee For Service	0.92
Williamstown Medical Associates	Fee For Service	0.97
Winchester/Highland IPA	Fee For Service	0.95

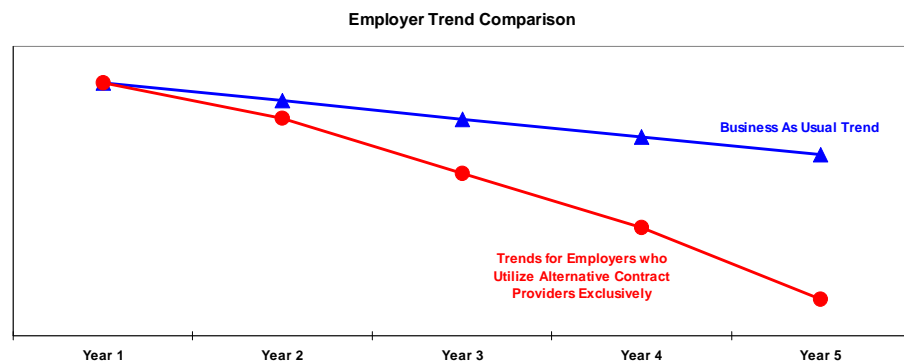
*\*Network Efficiency Index is the relative total medical expense for care of members who have selected a PCP from the groups listed above.*

3. Please supplement your response to AGO Q5 and Q6 by filing a further explanation and documents regarding BCBS's experience to date under the Alternative Quality Contract (AQC), including, but not limited to, any material effect on your premium or medical trend (utilization, unit cost, etc.) resulting from AQC contracts you have entered, and any metrics you are tracking to monitor AQC contract implementation.

**BCBSMA RESPONSE:**

Our primary contracting model for addressing quality and affordability is the Alternative Quality Contract (AQC). Under the AQC providers are paid under a global payment with reducing trends and as such the providers are accepting accountability for the total cost of care. In addition, providers are paid a bonus for significant increases in quality metrics measured on their patient population.

This model was adopted in 2009 by a significant number of provider groups, and therefore, we do not yet have a full year's experience with the new model to demonstrate its effect on premium or medical trend. Our projection is that, within five years of its adoption, its effect on medical expense trend would be as shown in the diagram below. Employers would realize lower trend increases over time as the rate of increase in provider revenue slows. The AQC is projected to reduce the business as usual trend by half in five years.



End of Responses